The Daily Dish

“Winning” the USMCA

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Eakinomics: “Winning” the USMCA

News reports indicate that the White House, Congress, and Mexican and Canadian negotiators have settled on a final version of the United States-Mexico-Canada Agreement (USMCA) to be put to a vote in the House and Senate. How should one think about evaluating the success of the final deal?

One way is pure politics, as exemplified by the story in *The Washington Post*. But political success is ultimately dependent upon the trade policy delivering the desired benefits. On that front, there are very different philosophies on display.

For the left, the primary goal appears to be delivering targeted favors to specific constituencies: control over labor disputes to the unions, check; environmental provisions for the green wing, check; minimum wages and reduced auto competition for the auto workers, check; and so forth. These features by their very nature come at the expense of the collective good because they diminish the opportunity for workers to flow to the most remunerative sectors, the ability of businesses to reshape themselves to meet demands in the three countries, and so forth. It is a classic case of carving up the pie at the expense of making it bigger.

Not all provisions match the stated priorities of the negotiating parties, however. It has been reported that one key to finalizing the USMCA was to change the length of exclusivity (the period before a biosimilar can be marketed) from 10 years in all three countries and revert back to the current domestic laws – 12 years in the United States, 8 years in Canada, and 5 years in Mexico. It makes sense for the left to go after one of its traditional punching bags, drug manufacturers. But notice that the domestic laws (compared to 10 years in all three countries) mean that prices are higher and for longer in the United States and lower abroad. This is exactly the opposite of what the president has asserted he is trying to

achieve, making this a remarkable provision to include.

In contrast to the left's approach, conservatives have traditionally approached trade agreements from the same perspective as tax reform – broaden the base (i.e., no special favors) and lower the rates (i.e., reduce as many barriers to trade as possible). Success stems from the facts on the ground – trade-related firms pay better, consumers have greater choices and lower prices, and investment flows to raise productivity.

Winning will be in the eye of the beholder, I suppose. But consider the broader perspective: The choice seems to be USMCA or no trade deal at all. Given that choice, the more this deal, warts and all, looks like a step forward for those who favor continued efforts to open markets for U.S. trade.